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Managing for Change

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# Managing for change: October 25, 1991 v. 2, no. 7

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*Boston University*



The  
University  
Hospital

## Managing for

# CHANGE

A Publication for the Managers of The University Hospital

*Dear Leader,*

October 25, 1991  
Volume 2, Number 7

### Some thoughts to start fiscal year 1992

Financially speaking, fiscal year 1991 was without doubt the most successful year in the history of The University Hospital. I am thankful, as I'm sure you are, that we had success in such difficult economic times. I also am grateful to all of you for your role in that success.

But we are now fully into fiscal year 1992. As you know, the FY92 budgets are in the process of being distributed to managers via vice presidents and division directors. While ideally budgets should be available for the start of the fiscal year, this is the earliest budget distribution in memory. The disadvantage to finishing budgets earlier than usual is that the reimbursement information used when calculating budgets is highly speculative, so the budgets are tenuous at best. The reason for this is the reimbursement uncertainty of the state and federal governments. On the state level, no successor to the Chapter 23 payment system has been identified. On the federal level, continued cuts expected to be made to Medicare made it increasingly more difficult to formulate a reliable budget.

The volatility of the healthcare environment can be put into perspective by realizing that we can go from an overwhelmingly positive year to one which has the potential to be uniformly devastating to unprepared hospitals. We simply cannot predict how the governments will act this year, although the Boston teaching hospitals are collectively pleading their case in Washington, D.C., and at the State House.

Fortunately, we are not alone. I understand that many hospitals around the city experienced similar admission deficits last year, and a number of them are taking drastic actions to prepare for what promises to be a much more difficult year for hospitals.

Despite this, we are trying to find ways to take advantage of last year's success. I can tell you that the compensation program will remain intact and will contain a wage-improvement component. However, the salary modifications will not take place until December 1 for those eligible for a fall review, and May 30 for those eligible for spring review. Our compensation program will keep us highly competitive in our labor market.

In addition, for the first time ever, we are going to provide bonuses to our employees as a tangible "thank you" for their role in our success of last year. This bonus will be given to employees who were on the active payroll for fiscal year 1991 (September 30, 1990 through September 28, 1991). Bonus amounts will be calculated based on the average number of regular hours eligible employees worked each week over the last nine months; in most cases, the bonus amount will be equal to about a week's pay.

## NEWS TO USE

### **JEOPARDY! tournament a great success**

If you had a chance to read the Monday, October 14, editions of the *Boston Globe* and the *Boston Herald*, you would have noticed that both gave very complimentary reviews of the Hospital's JEOPARDY! tournament, held on Saturday, October 12, at the Copley Marriott to introduce our five-year, \$25-million Capital Campaign. The evening's dinner was attended by more than 300 UH supporters, while the tournament itself attracted nearly 500 additional JEOPARDY! enthusiasts. I was truly amazed at how many people are mesmerized by the game JEOPARDY! It was a very successful evening for UH, and much credit is due to Bonnie Clendenning, vice president for Development, and her staff. (I even received a substantial additional pledge towards the Campaign's nucleus fund.)

### **UH is a good employer to working mothers**

Susan Hancox, vice president for Human Resources, recently sent me a very positive report related to a *Boston Globe* article citing the best employers in Massachusetts for working mothers. Beth Israel Hospital was named as one of the state's eight best organizations in this regard. In doing a comparison of the criteria, Ms. Hancox found that while BI certainly performs commendably, UH was equal to or better than BI in several categories. In terms of employment, UH has almost double the number of female vice presidents as BI, and an equal number of female physicians and managers. In addition, the entry pay for secretaries, medical technicians and nurses is slightly higher at UH. I think people should know about this.



### **BRA approval of University Associates project symbolizes strength**

A new era is unfolding here in the South End. As you probably know, the Boston Redevelopment Authority officially approved the University Associates project—the collaborative effort between the Hospital and Boston University to develop Albany Street into a dynamic and progressive medical complex. This complex will include medical research facilities, a parking garage, a new medical office building complex, child-care facilities, medically related office space, retail space and a hotel/conference center.

By the year 2000, the South End will be a very different place in both form and function. It is our intention for this project to strongly enhance the Medical Center's standing within the clinical and academic communities. In doing so, UH and Boston University will be going head-to-head with the other institutions in the city. We want people to know this.

Perhaps the most immediate thing for managers to contend with are the parking changes the project will create. You've probably noticed the light construction work already taking place in Lot A and parts of Lot C. This work will reduce the current Lot C parking area. I am told by the Medical Center's parking services that as spaces are lost during construction, those spaces will be replaced as best as is possible. As managers, it is important for you to allay any frustrations among your employees about parking. I also would encourage you to make known the various public transportation options available through the Medical Center's active transportation task force.

The University Associates project is a key element in the advancement of Boston University Medical Center. We hope that it will help UH and the Schools to recruit talented people, as well as pharmaceutical and biotechnology companies seeking new ventures. Groundbreaking for the School's Center for Advanced Biomedical Research building will take place on Saturday, November 2, at 2 p.m., and construction of the parking garage and child-care center will get under way next spring. I will keep you informed of the project's development.

### **Be prepared for JCAHO review**

On Wednesday, October 30, a review team from the Joint Commission on the Accreditation of Healthcare Organizations (JCAHO) will begin its accreditation review of the Hospital. The JCAHO team will arrive here without an agenda or itinerary, so impromptu inspections or questions can be expected. Our JCAHO review coordinator, Mark Whitney, tells me that he will, as best as he can, inform managers about any semblance of an itinerary as it emerges.

Mr. Whitney also tells me that preparedness—making documentation and policies and procedures presentable—is the most important action managers can take in advance. You also should tell your employees about the review and inform them that if they are questioned by a surveyor, they should answer all questions in a frank, direct and concise manner. Please address all general questions about the JCAHO review to Mr. Whitney at x7299.



J. Scott Abercrombie Jr., M.D.  
President & Chief Executive Officer

### **Year-end leading indicators**

- **Inpatient admissions**—A very aggressive budget of 11,070 admissions was set for FY91, but inpatient admissions fell short by about 400. However, given the poor local and federal economies, which are believed to have discouraged many elective surgeries and procedures, it is an achievement that we were able to nearly duplicate last year's admitting figure of 10,700 admissions. We have budgeted for 10,846 admissions for fiscal year 1992, which began October 1.
- **Outpatient visits**—This figure, which has markedly improved in each of the last five years, increased substantially in FY91. By upgrading our emergency facilities and combining emergency resources with Boston City Hospital, and by opening the Ambulatory Care Center and Endoscopy Suite on H-2, we were able to finish nearly 1,700 ambulatory visits over budget. Our budget for next year is 98,048 visits, about 1,000 more than this year.
- **Case-mix index**—We have always known that our case-mix index has been among the highest in the state, but the patients we cared for this year were more acutely ill than in the past.
- **Length of stay**—With a high case-mix index, it was unrealistic to expect the same improvements to average length of stay this year as in the past two years. Nonetheless, the year-end ALOS of 8.4 days still bettered its budget of 8.5 days—testimony to impressive clinical practice patterns, case management and discharge planning. The budgeted ALOS for fiscal year 1992 is 8.2 days.
- **Operating bottom-line**—Even with admissions finishing 3 percent under budget, the Hospital recorded an unaudited operating gain of more than \$6.37 million.
- **Operating margin**—This short-term profitability ratio, which determines a hospital's cash position, indicates that the management of our finances in FY91 was exceptional. While the average operating margin for U.S. hospitals was about 1.50 last year (UH budgeted an operating margin of 1.53 for FY91), the Hospital's operating margin finished at 4.07.